

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 745 w/CS District Cost Differential

SPONSOR(S): Sansom

TIED BILLS: **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Education K-20	26 Y, 2 N w/CS	Porter	Bohannon
2) Education Appropriations (Sub)	18 Y, 1 N	Eggers	Mizereck
3) Appropriations			
4)			
5)			

SUMMARY ANALYSIS

The bill phases out the use of the District Cost Differential (DCD) by raising districts with a DCD of less than 1.0 to a DCD of 1.0 over the period 2004-2012.

The bill maintains the current model for the calculation of the DCD for districts with a 2003-04 DCD of 1.0 or greater and prevents them from decreasing below 1.0 in future years.

The bill does not have a fiscal cost impact; however, it does change the allocation of FEFP funds across districts.

The bill provides for an effective date of July 1, 2004.

This document does not reflect the intent or official position of the bill sponsor or House of Representatives.

STORAGE NAME: h0745b.ap.doc

DATE: April 5, 2004

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. DOES THE BILL:

- | | | | |
|--------------------------------------|------------------------------|-----------------------------|---|
| 1. Reduce government? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. Lower taxes? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. Expand individual freedom? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. Increase personal responsibility? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. Empower families? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. EFFECT OF PROPOSED CHANGES:

The Florida Education Finance Program created in s. 1011, F.S., is the method by which the Legislature distributes funding to all school districts in the state. The Legislature sets a base funding amount, currently \$3,630.03, per student and then adjusts the base amount through a variety of factors to determine the total per student funding provided to school districts. School districts do not currently receive the same per student funding through the FEFP since their base funding is adjusted for special circumstances including student types. One of the adjustments the Legislature applies to the base funding of each school district is called the District Cost Differential.

The District Cost Differential (DCD) is a three year average of the price level index of the district, multiplied by 0.008 with the resulting product added to 0.200. The sum obtained from this calculation is the cost differential for that district for that year. The base funding amount is then multiplied by the DCD to determine the district's per student base funding amount. The DCD is expressed as a percent of base funding. When multiplied by the DCD, the base funding amount will increase or decrease to reflect the DCD.

For example, Bay County has a DCD of .9445 for the 2003-04 fiscal year. The resulting per student base funding for Bay County is \$3,428.56 ($\$3,630.03 \times .9445 = \$3,428.56$). A DCD of .9445 creates a decrease in per student funding for Bay County of 5.6 percent or \$201.47 per student. Broward County represents an example of the inverse effect from the DCD. Broward County has a DCD of 1.0538 resulting in a per student base funding amount of \$3,825.33 ($\$3,630.03 \times 1.0538 = \$3,825.33$). A DCD of 1.0538 creates an increase in per student funding for Broward County of 5.38 percent or \$195.30 per student.

The bill maintains the calculation of the DCD for the 6 counties with a 2003-04 DCD of 1.0 or greater as in current law and prevents their DCDs from decreasing below 1.0 in future years.

The bill proposes to gradually increase the DCD of counties with a 2003-04 DCD less than one over an eight year period. The bill would divide the difference between a district's DCD and 1.0 by 8 and increase the DCD by the resulting amount each year until the DCD equals 1.0.

The bill would freeze the DCD of counties with a 2003-04 less than 1.0 after the district's DCD equals 1.0. The DCD of all counties would be equal to or greater than 1.0 in all years after the 2011-12 fiscal year.

C. SECTION DIRECTORY:

Section 1 – Amends s. 1011.62(2) relating to the district cost differentials.

Section 2 – provides for an effective date.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The bill does not impact state revenue.

2. Expenditures:

The bill adjusts the DCD for 61 districts with a 2003-04 fiscal year DCD that is less than 1.0. The DCD would be adjusted annually for 8 years, starting in the 2004-05 fiscal year, until the districts' DCDs are equal to 1.0. The DCD of the remaining 6 districts would not immediately change but could increase or decrease in future years based on the calculation of the DCD. The bill does not cost the state additional funds; however, it does change the allocation of funds across districts.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The bill does not impact local governments.

2. Expenditures:

The bill does not impact local governments.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill does not impact the private sector.

D. FISCAL COMMENTS:

The bill adjusts the DCD of 61 districts in 8 annual adjustments until their DCD equals 1.0. The bill has no direct fiscal cost impact. However, it does alter the allocation, or "spread," of FEFP funds across districts.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The bill does not require a city or county to spend funds or to take any action requiring the expenditure of funds.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

The bill does not create any rulemaking authority.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

The bill was amended in the Education K-20 Committee on March 24, 2004 to maintain the DCD calculation of districts with a 2003-04 DCD greater than 1.0 the same as in current law. The amendment also stipulated that the DCD of these districts shall not decrease lower than 1.0 in future years.

On April 2, 2004, the Subcommittee on Education Appropriations favorably recommended HB745, with a strike-all amendment that contains the following provisions:

- Provides that the DCD in districts whose DCD was above 1.000 in the 2003-2004 fiscal year shall remain variable and be calculated annually; and that the DCD for those districts shall not decrease below 1.000 if the funding per unweighted FTE is below the state average for the applicable fiscal year;
- Provides that the DCD in districts whose DCD was below 1.000 in the 2003-2004 fiscal year shall be increased each year for five consecutive years, beginning in the 2004-2005 fiscal year, until the district's DCD reaches 1.000 or funding per unweighted FTE reaches the state average, whichever occurs first; limits the DCD in these districts to not greater than 1.000; and
- Provides that beginning in the 2008-2009 fiscal year and annually thereafter, the DCD for each district whose funding per unweighted FTE is below the state average shall be 1.000 for the applicable fiscal year.